

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

-----020653Z 090296 /20

P 020557Z MAY 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 3594

C O N F I D E N T I A L SEOUL 3568

EXDIS

EO 11652: GDS

TAGS: PFOR, MASS, KS, US

SUBJECT: IBM COMPUTER APPLICATION

REF: SEOUL 3401

1. IBM REPS CALLED ON AMBASSADOR APRIL 29 TO OUTLINE THEIR STRATEGY TO TRY TO ACHIEVE BEST ATTAINABLE SOLUTION TO ADD COMPUTER PROBLEM. THIS WOULD BE TO PROPOSE SUBSTITUTING A 148 CPU FOR THE ORIGINALLY CONTRACTED 158. IBM APPLIED FOR EXPORT LICENSE FOR 148 MODEL FOUR OR FIVE DAYS AGO. REGIONAL GENERAL MANAGER DONALD BLACK CLAIMS THAT STATE DEPT. BELIEVES OBTAINING SUCH LICENSE WOULD BE RELATIVELY EASY, SINCE DECISION TO REFUSE LICENSE FOR THE 158 WAS CLOSE, AND IBM PROPOSES TO USE SAME LEVEL OF JUSTIFICATION AS WAS USED FOR THE 158.

2. IBM PLANNED TO MAKE SUCH PROPOSAL IN LETTER THAT DAY TO ADD PRESIDENT SIN MUN TAEK, IN WHICH IT WOULD ALSO NOTE THAT ADD TECHNICIANS HAVE RECEIVED TRAINING DURING PAST SIX MONTHS USING IBM EQUIPMENT.

3. ACCORDING IBM, ITS CONTRACT WITH ADD REQUIRED IBM OBTAIN EXPORT LICENSE FOR 370-158 BY APRIL 30. ADD HAS THREATEN THEREFORE TO CANCEL CONTRACT, BUT IBM
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HOPES TO HAVE IT EXTENDED, BY AMENDING PROCUREMENT TO 370-148.

4. ASKED ABOUT POSSIBLE FOREIGN COMPETITION, IBM REPS SAID JAPANESE (FUJITSU) DOES MAKE EQUIPMENT COMPARABLE TO EITHER 158 OR 148, WHICH WOULD BE COMPATIBLE WITH IBM EQUIPMENT. BLACK SAID THAT, IN HIS OPINION, IBM'S

CHANCES ON A REBID WOULD BE VERY LOW. IN SUCH EVENT HE BELIEVES IT WOULD PROBABLY GO TO ANOTHER U.S. MANUFACTURER, MOST LIKELY UNIVAC. HE EXPLAINED THAT WHEN IBM WON THE ORIGINAL BID, THERE WAS ALSO A FACTION IN ADD FAVORING UNIVAC AND HE THINKS THE POWER BALANCE MAY SINCE HAVE SHIFTED TO UNIVAC.

5. THROUGHOUT CONVERSATION, IBM REPS STRESSED THE PARTICULAR CONCERN ABOUT EFFECT THIS EPISODE MIGHT HAVE ON IBM'S REPUTATION IN KOREA, AND HOPED EMBASSY WOULD MAKE CLEAR TO ROKG THAT IBM IS DOING ALL IT CAN TO RECTIFY THE SITUATION, EVEN THOUGH IT DOES NOT CONSIDER ITSELF AT FAULT.

6. COMMENT: EMBASSY IS NOT AS SANGUINE AS IBM APPEARS TO BE THAT, IN CASE OF NEW BIDS, WINNER WOULD NECESSARILY BE AN AMERICAN COMPANY. ROKG FEELS IT HAS BEEN TREATED POORLY BY USG, AND MIGHT WELL GO TO JAPANESE OUT OF SPITE, OR PERHAPS FEELING JAPANESE EXPORT CONTROL MORE LENIENT THAN THAT OF U.S. SNEIDER

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